



Economic Impact Analysis Virginia Department of Planning and Budget

22 VAC 15-30 – Child Day-Care Council Standards for Licensed Child Day Centers September 12, 2003

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.G of the Administrative Process Act and Executive Order Number 21 (02). Section 2.2-4007.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the Proposed Regulation

The Child Day-Care Council proposes significant revisions to licensed child day center standards. The main goal of many of these changes is to establish standards, which are well founded based on the available research, to improve health and safety of children. A secondary goal is to provide flexibility to center employees primarily in meeting staff qualifications. Due to the nature of the operations at these centers, many requirements are very prescriptive, simple, and appear to be straightforward to implement. Since simple procedural requirements could prevent catastrophic events later, it may be expected that these low cost procedures will, as a group, produce net economic gains by improving child safety. This report focuses more on the changes with the greatest likely financial impact. These changes include increasing the staff-to-child ratios, establishing maximum group sizes, a number of measures to improve child supervision, providing flexibility to meet staff qualifications, expanding the scope and hours of training, increasing the activity space and resilient surfacing under playground equipment, and updating several other facility standards.

Estimated Economic Impact

The proposed regulations introduce numerous new requirements in a number of areas to improve children's health, safety, and welfare while the children are under the care of a licensed child day center. These areas include staffing and supervision of children, staff qualifications and training, physical plant standards, activities for children, disease prevention, medications, and emergency procedures. In general, while the proposed standards will likely improve health, safety, and welfare of children and provide flexibility in meeting staff qualifications, they are also expected to increase compliance costs by an unknown amount.

The proposed changes are reflective of a survey conducted on child day center operators, comments received from public, members of the Child Day-Care Council representing public and private interests, feedback from enforcement staff, new developments and academic research, and standards recommended by nationally recognized organizations such as the American Academy of Pediatrics, the American Public Health Association, and the National Resource Center for Health and Safety in Child Care.

Staffing and supervision: The Child Day-Care Council (the Council) proposes to increase the staff-to-child ratios. This revision will increase the number of staff required to care for the same number of children by 7% to 20% depending on the age group.¹ Additionally, the Council proposes to establish, for the first time, maximum group size standards for different age categories.² The proposed staff-to-child ratios allow less staff than recommended by national standards.³ The proposed group size limitations allow for larger groups than recommended by national guidelines. However, it is known that most states do not meet the nationally recommended standard, which is consistent with what is being proposed.

The research in this area indicates that staff-to-child ratio and group size are the most important elements in determining the quality of a child care program as well as health and

¹ Staff/children ratios will increase as follows: two year old children from 1:10 to 1:8, four year old children from 1:12 to 1:10, school-age children from 1:20 to 1:18, balanced mixed groups of children between the ages three and six from 1:15 to 1:14.

² The proposed group sizes are as follows: 12 for children 0 to 16 months of age, 15 for 16 month old to two year old, 16 for two year old, 20 for three year old to age of eligibility to attend public school (five years by September 30), 27 for balanced mixed groups of children between the ages three and six.

³ Unless otherwise indicated, any reference to national standards or research literature in this analysis is obtained from the literature overview by Dr. Richard Fiene, "13 Indicators of Quality Child Care: Research Update," Submitted to Office of the Assistant Secretary for Planning and Evaluation and Health Resources and Services Administration/Maternal and Child Health Bureau, U.S. Department of Health and Human Resources.

safety of children. Smaller group size is found to reduce risk of infection with diseases such as ear infections, hemophilus influenza, hepatitis A, upper respiratory tract infection, otitis media, and conjunctivitis. Also, because caregivers monitor diseases, a staff-to-child ratio that requires more staff reduces disease transmission. Similarly, smaller groups and staff-to-child ratios that require more staff are found to improve safety through enabling caregivers to spend more time with each child and prevent accidents, through reducing chance of abuse by having more staff around, and through reducing the stress level of staff. Finally, mental health and school preparedness improve because children in smaller groups and staff-to-child ratios that require more staff receive more attention and get more involvement in educational activities.

Other related proposed standards on this subject include requiring the presence of an additional staff member when 16 or more children are being transported, limiting the number of school age children assigned to a staff member or a team of staff members, requiring supervision of children when leaving the center's care, requiring supervision in the restroom if needed, prohibiting the temporary reassignment of children from his regular group and staff members for administrative convenience, increasing the frequency of checking sleeping children, requiring that infants have outdoor time, etc. These changes are also expected to further contribute to improvements in health and safety of children.

The majority of these requirements will likely increase staffing demands and the labors costs of child day centers, or reduce the enrollment of children and reduce revenues. In addition, particularly the group size requirement may prompt rearrangement of classrooms in the physical plants such as physically reducing the size of a large classroom by using dividers, furniture and supplies, or building additional rooms. The extent of the potential increase in costs, or reduction in revenues will depend on the proximity of the current compliance with respect to the proposed standards. For example, if compliance with the newly proposed group size were already high, the additional costs of compliance, or revenue losses would be small. However, this information is not available at this time. Thus, while it is certain that compliance costs, or revenue losses will increase, the magnitude of these effects is not known.

Staff qualifications and training: The Council proposes to revise many of the required employee qualifications and training. In general, the proposed regulations revise the options to meet the required experience or education and will increase the hours of training required.

Available research indicates a positive correlation between staff qualifications/training and health/safety of children. The main reasons behind this positive association are: (i) educated caregivers promote mental health, safety, cognitive improvement, intellect, and independence; (ii) they behave more sensitively, less harshly, and in a less authoritarian manner; interact more positively, display more involvement and encouragement, and less punitiveness; (iii) training reduces disease transmission and accidental injuries, improves staff's ability to facilitate a positive learning and socialization environment, and improves early detection of abuse, neglect, developmental disabilities, and common diseases; and (iv) educated directors better monitor staff, which in turn promotes children's welfare as discussed.

The changes related to qualifications include accepting experience from non-regulated programs toward director or program leader qualifications, revising one program director option to allow less coursework in a child related field, adding flexibility to the credential option for program director and removing the process of agency oversight, removing agency oversight to the credential option for program leaders, and removing the accreditation requirement for college or university degrees. At the aggregate, these changes will likely expand the available pool of potential employees, which in turn could reduce the length of vacancy of turnover and lower the wages of new employees. If realized, these effects would provide some cost savings to child day centers. Although it is possible that these relaxations could result in some reduction in quality of employees if accreditation implies higher education standards, whether this result will actually occur is not known.

On the other hand, the proposed changes related to training will likely introduce some additional compliance costs. These changes include requiring new licensees to attend department-sponsored training, requiring new directors without management experience to have managerial training or education, requiring training in recognizing child abuse and neglect, requiring training in medication administration, increasing annual training initially by two hours and eventually by eight hours, and increasing the frequency of obtaining training in the daily health observation of children. Probably the most significant cost of these requirements would be the staff time spent in training, followed by the costs associated with the trainer, physical location, and materials.

Since the changes under this category will provide some cost savings in human resources area while increasing training related costs, the net economic effect on child day providers is not known.

Building, Areas, Equipment: Two of the most significant changes under this category are gradually increasing the activity space from 25 square feet to 35 square feet per child which is the standard in 42 states and increasing the resilient surfacing under playground equipment from six inches to nine inches.

Resilient surfacing is known to reduce risk of injury in playgrounds where a majority of injuries occur. A significant number of injuries affect head and limbs and they primarily occur due to falls from climbing equipment. Increased activity space could also reduce risk of injury among other potential benefits such as well being, constructive behavior, social integration, and reduced stress.

These changes will likely have significant cost implications for facilities that do not meet the proposed standards. Increasing activity space will reduce the capacity of the facility. This will either lead centers to reduce their enrollment, or increase space by new construction or by rent, which means either a reduction in revenues or an increase in compliance costs. In any event, profits will be lower. Additionally, facilities without the proposed resilient surfacing on the playground will have to either (i) incur additional material and installation costs, which will vary depending on the playground equipment or (ii) remove or not use the playground equipment and offer other outdoor activities. Because the Consumer Product Safety Commission guidelines are generally used as the litigation standard, meeting the proposed resilient surfacing standard could help reduce the center's liability if an accident occurs.

Other ancillary changes are requiring conformity to the Uniform Statewide Building Code for guardrails and handrails on steps, requiring sinks near toilets to have warm water, requiring a shaded area in the playground, and prohibiting the use of recalled play yards, cribs, and other products. Similar to the other changes, while further improvements in health and safety of children will likely result, facilities coming online that do not meet the updated standards will incur costs to comply with these requirements. Furthermore, prohibition on the use of recalled products may reduce the liability of a center should an accident result from these products.

Finally, the Council proposes numerous other measures related to supervision of children during activities, disease prevention, medication administration, and emergency procedures. Although these changes are not discussed in detail they also have the potential for a marginal improvement in health and safety as well as small increases in compliance costs.

The increased child day-care costs could also provide incentives to people to use other forms of day-care such as the services of a grandmother. These other alternative forms are not subject to licensing requirements, which could have implications on the quality of care provided.

Businesses and Entities Affected

The proposed regulations apply to approximately 2,600 licensed child day centers with the capacity to serve about 223,000 children.

Localities Particularly Affected

The proposed regulations are not expected to affect a given locality more than others.

Projected Impact on Employment

Expected increase in staffing, building, and equipment costs will affect demand for labor in opposite directions. These will increase demand for labor as centers hire additional employees, and start spending money to purchase construction material and equipment. These new expenditures by centers or reduced revenues (due to increased activity space, for instance) might make some center's operations unprofitable and cause them to reduce capacity or completely cease operations and reduce the demand for labor. However, at the aggregate the positive effect of additional expenditures would probably outweigh the potential decrease in demand for labor. The additional changes to staff qualifications are expected to increase the applicant pool that is eligible for employment. Thus, unless many centers cease operations or reduce capacity and if there is demand for newly available applicants, a positive effect on employment should prevail.

Effects on the Use and Value of Private Property

The proposed changes could also affect the value of child care businesses through the effects on future profit streams. Except the flexibility offered in meeting staff qualifications, most other changes will either increase compliance costs or reduce revenues. Therefore, unless the centers realize savings due to expanded applicant pool to the extent that the savings outweigh

the other compliance costs, the value of privately owned child day centers would decrease. Finally, increased litigation and costs for liability insurance might be lower if the child day center industry were operating under stronger health and safety standards which could balance out the potential decrease in value to some extent.